

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

NICARAGUA

SECTOR LOAN FACILITY

(SECTOR FACILITY: INSTITUTIONAL STRENGTHENING)

STRENGTHENING OF THE MINISTRY OF THE FAMILY

(NI-L1004)

EXECUTIVE SUMMARY

The project team consisted of: Catherine Fox (RE2/SO2), Project Team Leader; Emma Näslund-Hadley (RE2/SO2); Marie Gaarder (RE2/SO2); Catalina Gómez (COF/CNI); Emma Sanchez Monin (COF/CNI); Maristella Aldana (LEG/OPR); and Sheyla Silveira (RE2/SO2), who assisted in coordinating activities and preparing the document.

STRENGTHENING OF THE MINISTRY OF THE FAMILY
(NI-L1004)

EXECUTIVE SUMMARY

Borrower:	Republic of Nicaragua	
Executing agency:	Ministry of the Family (MIFAMILIA)	
Amount and source:	IDB (FSO):	US\$3,000,000
	Local:	US\$ 400,000
	Total:	US\$3,400,000
Terms and conditions:	Amortization period:	40 years
	Grace period:	10 years
	Disbursement period:	3.5 years
	Interest rate:	1% during the first 10 years and 2% thereafter
	Inspection and supervision:	1%
	Credit fee:	0.50%
	Currency:	United States dollar
Objective:	The objective of the project is to strengthen MIFAMILIA's capacity to perform its role as the national agency responsible for social protection in order to improve the delivery of special and social protection services.	
Description:	<p>The project is divided into three basic components, two technical-cooperation components and one investment component: (i) strengthening of MIFAMILIA's guiding role so that it is better equipped to coordinate social protection activities; (ii) more effective care services provided predominantly by care facilities and in some cases by the Ministry; and (iii) capital investment for improving infrastructure in the Departmental Offices and Local Management Units (known as UGLs in Spanish), as well as the procurement of computer equipment and software.</p> <p>In order to strengthen MIFAMILIA's leadership role, component 1 will fund: (i) a study on the future harmonization of decrees and laws within MIFAMILIA's legal framework; (ii) the implementation of a communications and social marketing strategy; (iii) the introduction</p>	

of a services accreditation system; (iv) a study on MIFAMILIA's level of effectiveness and efficiency for purposes of discovering best practices and administrative savings; (v) the implementation of a management information system that would include a master register of beneficiaries and a comprehensive financial management system for the entire Ministry; and (vi) the setting in motion of planning, monitoring, and evaluation processes.

In order to improve the services provided, component 2 will fund training and technical assistance in areas of specialization for MIFAMILIA's staff at the central level, staff in MIFAMILIA's deconcentrated offices, Departmental Offices and Local Management Units, and personnel of service providers who work at care facilities and in foster homes. This component will fund the development of a tool to assess the performance of MIFAMILIA personnel. Certificate studies will also be funded for subject matters that correspond to employees' responsibilities in the Departmental Offices and Local Management Units, such as certificate studies in comprehensive child development. The Operating Regulations include the criteria for selecting the staff members to receive certificates.

In order to facilitate the application of technical knowledge acquired during training, the experts hired will also make technical follow-up visits to trainees' workplaces.

Component 3 will fund improvements to the physical plant of Departmental Offices and Local Management Units. Minor upgrades will include the installation of telephone lines, improvements to registration areas in the service units, the purchase of basic office furniture, and computers and printers, including computers for the Nicaraguan Women's Institute (INIM).

The project will also fund the tasks of the project coordination unit, the Institutional Strengthening Division (DIFI) of MIFAMILIA. As this is a permanent line department, financing will be provided on a decreasing scale: 100% during the first year of execution, 80% during the second year, and 50% until project execution has concluded. Also funded will be a midterm and final project evaluation and a project audit.

**Special
contractual
conditions:**

Conditions precedent to disbursement

The DIFI will consist of a technical director, a senior information technology advisor, a finance manager, and a general accountant. The technical director and the senior information technology advisor will be hired directly, without any competitive procedure, as they will already be familiar with the current restructuring process while new

personnel would not. The selection of DIFI staff will be a condition precedent to the first disbursement.

Entry into force of the Operating Regulations previously agreed on with the Bank will be a condition precedent to the first disbursement.

As condition precedent to the first disbursement, the Ministry's Senior Management Council must be formally in place in order to assist with the project's strategic and operational planning.

Special conditions of execution

Prior to initiating activities related to the implementation of a services accreditation system, MIFAMILIA must have designed the system to the Bank's satisfaction.

Before INIM may participate in training activities and receive the computer equipment necessary to enter its beneficiaries into the beneficiary register, an interagency cooperation agreement must be signed between MIFAMILIA and INIM.

Before engaging technical assistance services to install the management information system, an interagency cooperation agreement must be signed between MIFAMILIA and the Ministry of Education, Culture, and Sports (MECD) in order to draw upon the MECD planning system, which includes a roadmap for facilitating the coordination of activities in a geographical area.

Prior to providing training for service providers, a model agreement on the delivery of social protection service that MIFAMILIA is to sign with the care facilities that receive training must be submitted, together with a model letter-agreement that MIFAMILIA must sign with foster homes (for abandoned children) receiving training.

Before the certificate courses are offered, a model commitment letter to be signed by the beneficiaries of the course with MIFAMILIA must be submitted.

Retroactive financing: With the Bank's approval, the borrower may use up to the equivalent of US\$50,000 against the loan proceeds to reimburse expenses incurred by the executing agency for: (i) the services of DIFI's technical director and senior information technology advisor, and (ii) consulting services for providing technical assistance with institutional planning and the development of MIFAMILIA's financial management processes. Likewise, with the Bank's approval, up to the equivalent of US\$10,000 in project expenditures for DIFI's logistical support and materials may be

recognized as part of the local counterpart contribution. These expenses must have been incurred between 1 August 2004 and the date on which the project is approved by the Bank. The advance contracting of these consultants, using retroactive financing, make it possible to complete the operation's preparation phase and determine how this operation will fulfill the terms of the sector loan to begin implementing the financial management system. The retroactive recognition of expenses charged against the local counterpart contribution will provide consultants with the tools necessary to do their work.

Exceptions to Bank policy:

See the section on procurement.

The role of the project in the Bank's country and sector strategy:

This project is consistent with two pillars of the Bank's strategy in Nicaragua: (i) governance, in order to ensure effective, efficient, and honest government with the capacity to accomplish the goals established in Nicaragua's Enhanced Strategy for Economic Growth and Poverty Reduction (ERCERP); and (ii) productivity of the poorest groups, assigning priority to social and productive investments that have a highly positive short-term impact.

The ERCERP has made three sectors a priority— health, education, and social protection. MIFAMILIA is the government agency responsible for coordinating and implementing social protection policy in Nicaragua and achieving ERCERP's social protection goals. This operation is a continuation of the first phase of MIFAMILIA's institutional strengthening (NI-0136) and seeks to deepen the Ministry's capacity to perform its role as the national agency responsible for social protection.

Coordination with other development institutions:

No other financial institutions are financing activities similar to those included in this project, thus eliminating the risk of duplication of efforts. See paragraphs 1.43 and 1.44 of the project report.

Environmental and social review:

The project is not expected to have any adverse effects on the environment given that its activities will focus on studies, equipment, training, improved services to vulnerable groups, and small-scale enhancements to registration areas.

A significant impact is expected on marginal groups such as indigenous and afro-descendent groups. The project will offer additional technical assistance and training in regions where these marginal groups are located, seeking to make infrastructure and equipment the same at Departmental Offices in regions with indigenous and afro-descendent populations. Likewise, incorporating

women's groups and minority and vulnerable groups onto the list of service providers and social communications programs will be ensured.

Benefits: The focus on consolidating programs, installing a management information system, and better integrating the Ministry's institutional management will make it possible to boost the efficiency and effectiveness of social protection management. Other line ministries will benefit from the sector activity information system. The project will also promote service quality through technical assistance and training that will benefit both the beneficiaries of services and service providers. Departmental Offices in areas with marginal populations will make the services provided to these risk groups more effective. Enhancing the quality of services and making the Ministry more cost-effective will enable Nicaragua to better manage its activities in the sector and increase the number of beneficiaries assisted.

Risks: Given the number of stakeholders in social protection, one risk is the possible resistance of government agencies to MIFAMILIA's leadership role. The Ministry is relatively young compared to other agencies involved in social protection. The project strategy for responding to this risk includes clarifying MIFAMILIA's legal framework in the area of social protection, promoting its capacity through a social communications strategy, and enhancing the Ministry's level of credibility through a greater capacity to gather data via a strengthened management information system.

Social equity and poverty reduction classification: This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, this operation qualifies as a poverty-targeted investment (PTI).

Procurement: The procurement of works, goods and related services, and consulting services will be done in accordance with Bank policies and procedures. International competitive bidding will be required for goods and related services when their estimated cost is greater than, or equal to, the equivalent of US\$250,000. International competitive bidding will be required when the estimated cost of consulting services is greater than the equivalent of US\$200,000. The procurement of works and goods and related services below these thresholds will be governed, in principle, by domestic legislation as long as it is consistent with Bank policies.

For project execution, it is recommended that direct contracting, without a competitive procedure, be authorized for hiring DIFI's technical director and senior information technology advisor in order to ensure continuity of their services. The continuity of services is

technically justified, since: (i) the activities included in this project complement MIFAMILIA's institutional strengthening activities begun under program 1061/SF-NI in which these consultants have been participating satisfactorily; and (ii) they have accumulated knowledge about the current restructuring and modernization process which new personnel would lack. In the event that any of their contracts expire before project execution has concluded, a replacement will be selected through a competitive procedure, in accordance with Bank policies and procedures.

Indicators:

Below is a list of selected outcomes to be achieved by the end of the project.

- The cost efficiency of at least three care facilities has improved 20%¹.
- Sixty service providers are certified under the service quality standards systems.
- X% to Y% of MIFAMILIA personnel has updated their skills in their areas of specialization².
- At least 12 of the Departmental Offices or Local Management Units are equipped and have proper infrastructure.
- Beneficiary satisfaction with services has improved from X% to Y%³.

Monitoring reports:

The borrower, through the executing agency, will submit semiannual monitoring reports that will contain a summary of project progress by component as well as: (i) a list of equipment purchased and its location within MIFAMILIA; (ii) information on how the equipment is being used to meet project objectives; and (iii) information regarding the status of the revolving fund. The semiannual reports will be submitted in a timely fashion, within 60 days following the close of each six-month calendar period, to coincide with the update of the Project Performance Monitoring Report (PPMR). The Bank will meet with the borrower to evaluate monitoring reports and determine corrective measures.

Project resources will fund two independent evaluations, one midterm and one final evaluation. The midterm evaluation will be conducted 18 months after the loan contract enters into force or once 50% of the funds have been disbursed, whichever comes first. The final

¹ The costing of principal care services will be UPEFI's responsibility during the first year of execution.

² This indicator's baseline and target will be defined through a survey no later than the first quarter of project execution.

³ This indicator's baseline and target will be defined through a survey no later than the first quarter of project execution.

evaluation will be conducted once 80% of loan proceeds have been disbursed; its objective will be to analyze and assess project outcomes and effects, measure how successfully objectives were met based on indicators, and identify the lessons learned.

These evaluations will use the baseline to measure: (i) beneficiary satisfaction, and (ii) the skill levels of Departmental Office staff. MIFAMILIA will determine the baselines by means of surveys of beneficiaries regarding their level of satisfaction with services and of Departmental Office staff supervisors regarding staff skill levels. These baseline surveys will be funded using independent resources and it is estimated that the data will be compiled no later than the first quarter of project execution. Project resources will fund a repeat of the surveys during the midterm and final evaluations.